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SUBJECT: ASSISTANT SECRETARY BOUCHER'S MEETING WITH PAKISTANI PRIME MINISTER AZIZ: A "MARSHALL PLAN" FOR AFGHANISTAN, NO MORE BAJAURS

Classified By: Ambassador Ryan C. Crocker, Reasons 1.4 (b) and (d).

¶1. (C) Summary: On November 7, Assistant Secretary Boucher met with Prime Minister Shaukat Aziz. Aziz discussed the political situation, remarking that the Bajaur incident had played into the hands of the religious opposition, and that the mood of the general populace was truly angry. He repeatedly stressed the serious, deteriorating nature of the situation in Afghanistan, advising the U.S. to act quickly via a "Marshall Plan," and to engage other countries, particularly the Gulf States, at the highest levels. His government is moving forward on the amendments to the Hudood Ordinance and on border security, and asserts its right to lobby for civil nuclear technology. The Prime Minister asked for U.S. support for the Pakistan Infrastructure Fund, and hinted that they may purchase more Boeing aircraft. He also suggested that we look to his speech at Princeton University later in the week as a major policy speech for Pakistan. End Summary

¶2. (U) On November 7, Boucher, accompanied by Ambassador Crocker, Senior Advisor Hayden, and Econ Counselor (note taker), met with Prime Minister Shaukat Aziz. Khalid Saeed, Principal Secretary to the Prime Minister; Zameer Akram, Additional Secretary, Prime Minister's Secretariat; Shahid Kamal, Additional Secretary, Ministry of Foreign Affairs; and Mamoon Amjed, Additional Press Secretary; were also present.

¶3. (C) Domestic Politics: The Prime Minister said that political reform was going well. The current government was moving into its final year, with elections expected late next year. "We are getting geared up [for the elections]; we will go in as a coalition." He indicated that initially the Pakistan Muslim League had hoped to engage with more parties, but had encountered opposition from their own supporters, particularly on the issue of past corruption. The religious parties were looking for issues to rally the people, he said, but they did not have a credible program to offer. The poverty level has declined from 35 percent to 24 percent under the present government, although he acknowledged that many people had not felt it directly, especially in rural areas. The education system and skills levels had deteriorated, he said, and, while the government is responding with crash programs, more is needed. The thrust of the government's message is, "if you want more of this, support us."

14. (C) Aziz expressed concern about the impact of Bajaur on the government's credibility and the ability of the religious parties to increase their franchise. "Bajaur has damaged us. We can't sustain one more incident like this. In the drawing rooms of Pakistan, everyone is discussing this and they are not convinced by what we [the government] have told them."

15. (C) Hudood Ordinance: In response to a question from Boucher, the Prime Minister said that the government believed it should push ahead with amending the Hudood Ordinances, as this will help move the gender issue forward and nothing in the amendments violates the Koran. The mullahs were using Hudood as an issue, he said, acknowledging that even within his own party there were differing views. He did not seem concerned with the prospect of members of his own coalition resigning from Parliament, noting that by-elections can take place.

16. (C) Afghanistan - More Must be Done: Aziz said he had met the previous day with Afghan Finance Minister Ahady. "The Afghans are feeling disenfranchised, and the very dangerous nexus between terrorism and drug money is growing more than people realize." There is also a tide of rising nationalism opposed to the presence of foreign troops. He said that, if the Taliban's influence continues to increase, Afghanistan would be the biggest loser, followed by Pakistan. The Prime Minister had several suggestions for the United States on how to remedy the deteriorating situation:
-- Engage the visible stakeholders (Pakistan) as well as the invisible stakeholders (Iran, Russia) at all levels, many of which are active in Afghanistan in order to embarrass the U.S. and the coalition and are much more dangerous than the world realizes.
-- Establish a very broad-based "Marshall Plan" for Afghanistan,

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soliciting funding from a variety of sources, including China and Japan. The Prime Minister urged the U.S. to apply pressure ("soft arm-twisting") on the royal families in Saudi Arabia, the United Arab Emirates, Kuwait, and Qatar for additional funding.
-- Bring in UN peacekeepers.

Boucher responded that the U.S. was gearing up for a major effort to improve governance and services in the South, and that the EU and NATO were fully engaged.

17. (C) Border Security: Pakistan is ready to move on improving security in the "porous, undermanned, treacherous" border areas. The government intends to fence and mine selected areas. The Prime Minister had spent a few days in Quetta recently, where there are reportedly 500,000 refugees from Kandahar. The refugee camps provide a safe haven for militants who form alliances with local religious elements. "We want the camps closed," Aziz stated emphatically. He also met with all 1200 Balochi sardars, who told him unanimously that they wanted peace and opposed a Taliban presence in Quetta.

18. (SBU) Reconstruction Opportunity Zones: The Prime Minister said he had been updated, and his only concern was that the zones should be moving faster. Boucher explained the need for legislation before the zones could be implemented. Prime Minister Aziz said, although he had heard of Afghan reservations about the zones, he had spoken with President Karzai when he was in Jalalabad recently to inaugurate a Pakistan-financed road, and the Afghan president had given him "carte blanche" regarding the zones and was very positive about their job creation aspects.

19. (C) Civil Nuclear Cooperation: The Prime Minister clarified Pakistan's position on access to nuclear technology. The country's energy needs were growing 8-12 percent annually, and nuclear power could play a critical role in meeting this requirement. "We are not happy with the U.S.-India nuclear deal, and we have every right to ask, demand, solicit and lobby for our case." Boucher said the agreement with India was not criteria based, and Pakistan's lobbying the Nuclear Suppliers' Group for a different outcome was inconsistent with commitments made by President Musharraf and Foreign Minister Kasuri in Washington.

110. (SBU) Miscellaneous: The Prime Minister asked for U.S. support

for the Pakistan Infrastructure Fund (based in London), which he said the Overseas Private Investment Corporation had been investigating. He noted that OPIC and the U.S. Export-Import Bank had been very helpful to Pakistan and said that the government was considering buying more Boeing 777 aircraft.

¶11. (U) This cable was coordinated with SCA - Caitlin Hayden.
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